

# A Year of Grand Openings



Annual Report 2001



**Andrés Wines Ltd.** is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Alberta, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan Valley and vineyards around the world.

The Company's award-winning premium Peller Estates and Hillebrand Estates brands complement its popular-priced products including *Hochtaler*, *Domaine D'Or*, *Franciscan* and *Similkameen*. With a focus on serving the needs of all wine consumers, the Company also produces and markets wine kit products through Brew King and Vineco International.

The Company owns The Wine Shoppe, an independent wine retailer in Ontario with more than 100 stores. Andrés' common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).



## Contents

Highlights 1 Report to Shareholders 2 Estate Wines: A Conversation with the Peller Family 6

The Wine Shoppe 12 Quality Domestic and Imported Brands 13 Consumer-made Wines 14

Management's Discussion and Analysis 15 Consolidated Financial Statements 19 Shareholder Information 29



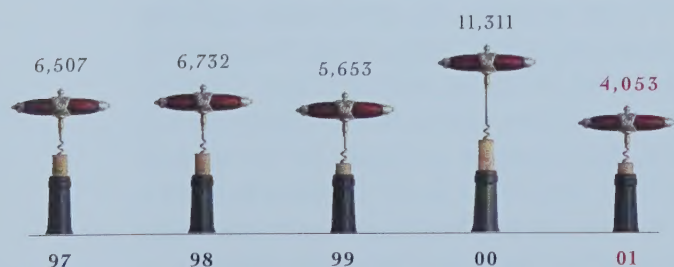
For the years ended March 31  
(in thousands of dollars except per share amounts)

	2001	2000
<b>Sales and earnings</b>		
Net sales	\$ 134,358	\$ 133,638 <sup>(2)</sup>
Earnings before interest and income taxes	10,168	12,729
Net earnings <sup>(3)</sup>	4,053 <sup>(1)</sup>	11,311 <sup>(3)</sup>
<b>Financial position</b>		
Working capital	\$ 14,750	\$ 23,467
Total assets	132,967	126,232
Shareholders' equity	66,114	65,027
<b>Per share</b>		
Earnings		
Basic <sup>(3)</sup>	\$ 0.86 <sup>(1)</sup>	\$ 2.39 <sup>(3)</sup>
Fully diluted <sup>(3)</sup>	\$ 0.84 <sup>(1)</sup>	2.29 <sup>(3)</sup>
<b>Dividends</b>		
Class A shares, non-voting	\$ 0.644	\$ 0.644
Class B shares, voting	0.560	0.560
<b>Shareholders' equity</b>	\$ 13.96	\$ 13.73
<b>Market value</b>		
Class A – high	\$ 14.00	\$ 16.75
– low	10.00	11.80
Class B – high	12.85	18.00
– low	9.75	11.00
<b>Analytical information</b>		
Return on average shareholders' equity	7.0%	10.5%
Return on average capital employed	9.2%	11.8%
Ratio of current assets to current liabilities	1.3:1	1.6:1

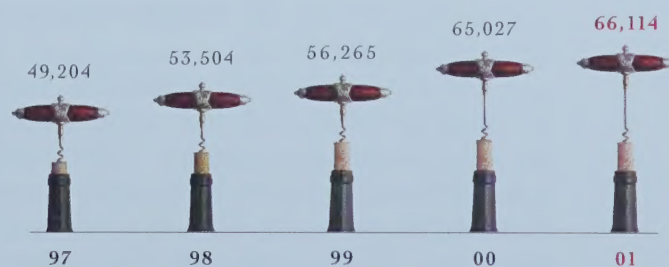
(1) Includes the pre-tax loss of \$1.025 million on the settlement of a lawsuit for the co-packing of flavoured water in 1993.

(2) Includes two months' net sales of Quebec operations, sold May 31, 1999.

(3) Includes the after-tax gain of \$5.2 million from sale of the Quebec winery.



Net earnings



Shareholders' equity





*Peller Estates' Private Reserve Series showcases barrel-aged white and red wines from the finest grapes grown in the Niagara Peninsula.*

**Andrés' strong financial performance** in fiscal 2001 reflected good overall growth in Canadian wine consumption and a number of initiatives taken during the year to further enhance the Company's market share, competitive position and profitability over the long term.

Our focus in fiscal 2001 remained on providing our customers and consumers with the highest quality products while ensuring that our sales growth did not come at the expense of improved profitability. As a result, while consumption of wine in Canada rose by 3.3% and our sales rose by 1.5% on a comparable basis, our gross margins improved steadily through the year, and we anticipate that this stronger performance will continue in the future.

A key to our improved profitability is the continued growth in sales and market share of our premium and ultra-premium Peller Estates and Hillebrand Estates brands. In fiscal 2001, sales of our estate wines rose 42% compared to the prior year, while overall our VQA volumes increased by 41% over fiscal 2000. This strong

growth is the result of our ongoing ability to capitalize on the increasing awareness and popularity of Canadian-made premium wines through all of our various trade channels.

***New additions to the Andrés tradition of quality*** The new Peller Estates Winery was officially opened on June 6, 2001. More than six years in the planning, this new facility combines the finest winemaking with a destination that will attract wine lovers for years to come. Offering tours, tastings, fine dining and numerous special events, Peller Estates continues the heritage of excellence developed at our Hillebrand Estates Winery over the past twenty years and a commitment to producing the highest-quality wines.



Peller Estates' focus is on the development of ultra-premium, barrel-aged red wines, and close to the winery we have purchased more than 200 acres and planted such red vinifera grapes as cabernet sauvignon, cabernet franc, merlot and pinot noir.

In conjunction with the opening of the Peller Estates Winery, three new brands were also launched. The *Andrew Peller Signature Series* is a line of premium unfiltered red varietal wines produced in small lots and in limited quantities. The *Private Reserve Series* showcases barrel-aged white and red wines from the finest grapes grown in the Niagara Peninsula. In addition, the *Vineyard Series* is comprised of a line of varietal wines respecting the true character of Niagara's grape-growing environment.

On a more personal note, this new winery clearly reflects the dreams and vision of Andrew Peller, the founder of our Company forty years ago. Andy built his first winery in Port Moody, British Columbia in 1961, and the following year planted the first vinifera grapes in Canada in the Okanagan Valley. His passion for fine wines and his ambition to build a strong and enduring company laid the foundation for what we are today, and our new winery is a testament to all he achieved in his lifetime.

***Strong performance through all trade channels*** Our excitement about the new Peller Estates Winery is supported by strong performance in all of our trade channels last year.

Our retail network of more than 100 Wine Shoppe locations renewed its growth in 2001 after two years of being negatively affected by the Liquor Control Board of Ontario's Sunday openings and store relocations. Sales through this important network rose compared to last year, as our emphasis on high-quality service continued to attract consumers while our new point-of-sale information system ensured we stocked the appropriate products in each location.

Sales through the various provincial liquor boards also grew in most regions in fiscal 2001. Increased volume sales and market share stability were experienced in the key Ontario and British Columbia markets, as well as in Atlantic Canada. In Alberta, sales fell as our focus on increasing profitability determined that we would not match predatory pricing on certain products introduced by some of our competitors.

Our continuing emphasis on building strong relationships with both national chains and local restaurants, clubs, hotels and other licensed establishments has been a major factor in the growth of our VQA wine sales. Our ongoing investments in training and providing our people with the appropriate tools has resulted in deepened relationships within this important channel. In addition, we have also capitalized on regulatory changes that now permit us to deliver our products directly to licensees in Ontario and British Columbia.

Our export business continues to progress as we prudently invest in extending the geographic reach for certain of our premium and ultra-premium brands as well as our home winemaking products. Sales of Canadian-made ice wine have recently been permitted within the European Economic Union, and we anticipate this sophisticated market will respond well to our industry-leading Hillebrand Estates and Peller Estates products. Growth in the Pacific Rim has also been very encouraging. Our wines are now sold in more than twenty countries around the world.

Andrés made further investments in its e-commerce initiatives last year, as sales through our Wine Country at Home portals continued to attract consumers to the ease and convenience of ordering wines over the Internet for home or office delivery. In addition, our Wine Country by Request program gained in popularity as select wines chosen by our winemakers are delivered to subscribers each month.



*Andrés won a number of prestigious awards and medals at international wine competitions in 2001. Five awards were claimed at the International Wine and Spirits Competition, while nine medals and seals were garnered at the International Wine Challenge. At Vinexpo, five more medals were awarded to Trius and Peller Estates wines, with silver and bronze medals at the important Chardonnay du Monde competition in France. Nine awards were presented at Vinitaly, including the 'Premio Speciale' honour for Peller Estates as Canada's most decorated winery at the competition.*



*Six years in the planning, the new Peller Estates Winery combines the finest winemaking with a warm and inviting destination that will attract wine lovers for years to come.*



*To support Peller Estates' focus on ultra-premium, barrel-aged red wines, we have purchased more than 200 acres and planted such red vinifera grapes as cabernet sauvignon, cabernet franc, merlot and pinot noir.*

Red Star Share



Our home winemaking business also produced strong performance in fiscal 2001. Sales of our leading Vineco International and Brew King products exceeded overall industry growth rates as wine hobbyists across the country are drawn to the increasing quality of our wine kits.

***A blueprint for the future*** The past decade has been a period of unprecedented change for both the Canadian and the global wine industry, as well as an exciting time of growth and prosperity. Wines from around the world can now be found in most markets, while wine connoisseurs travel to countless countries to sample rare vintages on location. Millions of acres of grapes have been planted, wine competitions are flourishing, and the proliferation of wine-related magazines, specialty television programs and articles are all fuelling strong interest in both domestic and imported wines.

Andrés continues to develop a number of strategies to capitalize on these exciting industry fundamentals while ensuring that our long track record of profitable growth continues.

Our aggressive and focused sales and marketing programs continue to build consumer awareness of our products, while investments in barrels and production equipment ensure the highest-quality wines are available. Our new planting program, both on our own lands and through contractual arrangements with select growers, will provide the best grapes to meet increasing demand for premium wines over the coming years.

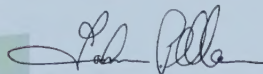
Our focus on building our portfolio of premium and ultra-premium red wines is meeting a growing demand in Canada. Red wine sales measured by volume climbed almost 12% in 2000, marking the seventh consecutive year of double-digit growth, as red wines captured 47% of the total wine market, an increase of 2.2% over last year.

Our emphasis on our key trade channels continues to extend our reach and market penetration. The Wine Shoppe remains a preferred destination for consumers who appreciate the level of service and knowledge they receive.


Licensed establishments are an important link to expanding awareness of our VQA wines, and we are increasing our sales support to national chains and local restaurants, bars and clubs as well as increasing our direct delivery initiative in Ontario and British Columbia. Our agri-tourism business has been taken to the next level with the opening of our new Peller Estates Winery as we now offer two high-quality destinations for wine lovers visiting the Niagara Peninsula. Finally, our leading position in the home winemaking business continues to make a strong contribution to our growth and profitability.

***Our fortieth year in business*** Looking back, fiscal 2001 was indeed a 'Year of Grand Openings', with new products, a new winery, new vineyards and a number of other initiatives aimed at increasing sales and profits over the long term. Our thanks are extended to everyone at Andrés for their enthusiasm, commitment and dedication. As we enter our fortieth year, we are excited about the opportunities open to us; and with the financial strength, the people and the products in place, we are confident we will continue to deliver enhanced value to our shareholders.

During the year we lost a dear friend and advisor with the passing of Murray Armitage. Murray's enthusiasm and integrity were inspiring to all who met him, and while we will miss his counsel, his significant contribution over the many years he served as a member of the Board of Directors will continue to serve as a model for us all.

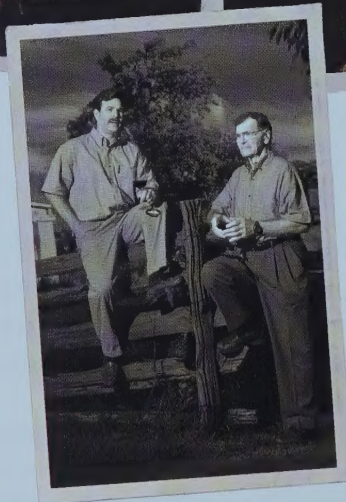


**John E. Peller**  
PRESIDENT AND CEO



**Joseph A. Peller**  
CHAIRMAN

# W. Est Wines



*'My father began  
this Company forty  
years ago with a  
vision: to produce  
estate-bottled  
premium wines in  
Canada that would  
be recognized for  
their quality and  
character and stand  
with the best wines  
in the world.'*

JOE PELLER



ate



## Estate Wines & A Conversation with the Peller Family

On June 6, 2001 the new Peller Estates Winery in Niagara-on-the-Lake was officially opened. Situated on 40 acres of vineyards with a spectacular view of the Niagara Escarpment, Peller Estates welcomes visitors to a true wine-country experience through tours and by sampling its award-winning vintages, many available exclusively at the winery.

Guests can also enjoy exceptional regional cuisine at the winery's restaurant overlooking the vineyards. Peller Estates' wines combine the best vineyards and skilled winemaking with patience and dedication to fulfill the Peller family vision of producing Canada's finest barrel-aged premium and ultra-premium red wines.

Peller Estates joins Hillebrand Estates to form Andrés' Estate Wines division. Hillebrand Estates was one of the first wineries in Canada to welcome wine lovers by offering tours, tastings, fine dining and numerous special events. For more than twenty years, Hillebrand has set the standard both as a destination for wine connoisseurs and in the production of high-quality, award-winning VQA wines.

### *On three generations of excellence*

'My father began this Company forty years ago with a vision: to produce estate-bottled premium wines in Canada that would be recognized for their quality and character and stand with the best wines in the world. He would be very proud of the tradition of excellence built by Hillebrand Estates and the promising future for the new winery that bears his name.'

~ Joe Peller

'I believe our new winery marks the culmination of one dream and the beginning of another, but one with the same premise and commitment — to raise the quality bar to produce the best varietal wines made in the Niagara region.'

~ John Peller





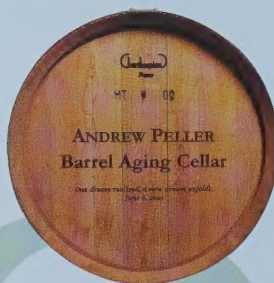
*Guests can enjoy exceptional regional cuisine at Peller Estates' gourmet restaurant overlooking the vineyards.*



*Each of our estate wineries reflects the passion of our winemakers and their commitment to producing wines of the highest quality and character.*

*'The focus of our estate wines is as much on the vineyards as on the winery, because it is the grapes you grow and harvest that matter the most.'*

JOHN PELLER







*'Our new Signature  
and Private Reserve  
wines pay tribute  
to my grandfather's  
ambition and dream:  
to make wines that  
are the best in the  
Niagara region.'*

JOHN PELLER



*On the importance of the best grapes*

'The focus of our estate wines is as much on the vineyards as on the winery, because in the end it is the grapes you grow and harvest that matter the most. It is our commitment to process and garner the best grapes, then making sure we pay slow and careful attention to the winemaking, that allows our premium and ultra-premium wines to flourish.'

— John Peller

'Andrés has made significant investments in prime growing acreage, and over the past six to seven years we have carefully planted vines of several varieties that are just now arriving at a maturity that will produce wines we are confident will meet our quality standards. In addition, our enduring partnerships with a select group of independent growers in the region provide additional breadth to our estate-bottled wines.'

— Joe Peller





*'A well-priced red wine simply named Trius remains the benchmark from Ontario's excellent 1998 vintage, and is exactly the style of red wine Niagara does best.'*

DAVID LAWRASON  
WINE ACCESS MAGAZINE



*In addition to its leading portfolio of quality brands, Hillebrand Estates offers wine lovers the rare opportunity to experience the art, craft and passion of wine and wine country.*





*Hillebrand Estates'*  
*Stone Road, Harvest*  
*and Collector's*  
*Choice series of*  
*VQA wines continue*  
*to win awards and*  
*accolades around*  
*the world.*



*On the image of an estate winery*  
 'Hillebrand Estates, and now Peller Estates, share a number of characteristics key to the success of an estate winery, combining the best of the new and the old worlds to create a destination that is warm and inviting. Most importantly, each facility reflects the values of its winemakers and their commitment to producing wines of the highest quality and character.'

~ John Peller

'Our family has always believed that the enjoyment of wine lies in more than just what is in your glass — it is a commitment to wine culture and wine life. Our estate wineries, with their spectacular views and fine regional cuisine, also offer the opportunity to learn first-hand about wine production in what are very special locations in wine country.'

~ Joe Peller

*On the wines of Peller Estates and Hillebrand Estates* 'Our new *Signature* and *Private Reserve* wines pay tribute to my grandfather's ambition and dream: to make wines that are the best in the Niagara region. Primarily premium red varietals, these unfiltered, barrel-aged wines are the pinnacle of what is the best in the region. In addition, our *Oakridge* blended wines offer the consumer exceptional quality and value.'

~ John Peller

'We are very pleased that Hillebrand Estates' *Trius* brand has become one of the most sought-after ultra-premium wines in Canada, offering superb quality and character. *Trius Brut* was the first in Canada to utilize the traditional *méthode champenoise* to produce a premium, bottle-fermented sparkling wine. In addition, Hillebrand's *Harvest* and *Collector's Choice* series of VQA wines continue to win awards, accolades and market share across the country.'

~ Joe Peller







Throughout Ontario, more than one hundred well-situated Wine Shoppe retail locations have become the destination of choice for consumers seeking convenience, service and a full range of Andrés' award-winning product offerings to meet their wine shopping needs. A selection of premium wines from Hillebrand Estates and Peller Estates is always available, as well as many other fine brands.

Located within or near high-traffic shopping malls and grocery stores, or with its own store-fronts, The Wine Shoppe specializes in providing consumers with a number of important services to complement their enjoyment of Andrés' high-quality wines. Properly chilled products and gift-wrapping are always available for that last-minute special occasion. Tasting cards introduce consumers to new products, describing the wines, their origins, and how best to enjoy them. Wine-tasting events and a number of instructive pamphlets help to educate consumers about the winemaking process and offer suggestions as to properly pairing wine with food.

To further extend the Company's presence in the premium wine market, a Wine Country Vintners store was recently opened in Niagara-on-the-Lake, offering hard-to-find vintages and other products previously available only at the wineries.

Today's consumer demands a personalized shopping experience in which they can find knowledgeable staff with whom they can discuss choice and obtain help in making purchase decisions. Andrés' well-recognized chain of Wine Shoppes meets this need by combining a pleasant atmosphere with high levels of service, convenience and product availability.



In addition to its estate-bottled premium and ultra-premium Hillebrand Estates and Peller Estates wines, Andrés produces and markets a number of other leading products for the Canadian wine consumer.

*Hochtaler*, a smooth, semi-sweet German-style white wine, remains the most popular white wine in the country, while *Domaine D'Or* continues to rank among the top five of Canada's best-selling, popular-priced table wines, offering superb taste at an affordable price.

Throughout its forty-year history, Andrés' sparkling wine portfolio has provided Canadians with the highest-quality products at a number of different price points. Covering the complete spectrum from popular-priced sparkling table wines through to premium, bottle-fermented products made in the traditional *méthode champenoise* style, consumers continue to enjoy what have become the country's most popular sparkling wines.

Two years ago Andrés introduced its new refreshment wine product, *Vineyard Mist*, the Company's most successful new product launch

to date. The *Vineyard Mist* portfolio enhances varietal wine characteristics with naturally occurring grape flavours, and has grown to become one of the top-selling wines in the refreshment category. Building on this rapid growth in popularity, Andrés introduced *Frostbite*, a thirst-quenching fruit cooler.

Andrés has also developed a strong portfolio of wines imported from such leading wine-producing countries and regions as California, Chile and Australia. Sold under the *Franciscan*, *Santa Anna*, *Gold Coast* and other brands, these imported products have been building a reputation across the country for providing premium quality at an affordable price for over twenty years.





# Consumer-made



With the purchase of Vineco International in 1998 and Brew King the following year, Andrés has brought important leadership and high standards of quality and excellence to this fast-growing segment of the global wine industry.

Over the past ten years, the growth in popularity of consumer-made wines has been significant, driven by advances in wine kit technology and dramatic improvements in quality. With more than 900 dealers and over fifteen strongly-branded products, Vineco International and Brew King have grown to become two of Canada's largest providers of premium wine kits and supplies to the Canadian market.

In addition, Andrés has been highly successful in introducing its high-quality products to consumers in many different markets around the world. Vineco and Brew King wine kits can now be found in more than thirteen countries.

2001 was also a year of grand openings for Andrés' consumer-made wine business. Capitalizing on Andrés' tradition of quality, both Vineco and Brew King introduced new ultra-premium wine kits in 2001.

Vineco's *Kendall Ridge Classic Series* provides consumers with the highest-quality varietal kits, while the *Kendall Ridge Showcase Series* features celebrated wines from the most renowned wine-producing regions around the world.

Brew King also launched its *Selection Estate Series* ultra-premium kits, offering the absolute pinnacle of quality in a consumer-made varietal winemaking product from specific grape-growing regions around the world.



# *Management's Discussion and Analysis*

## **Introduction**

The following management discussion and analysis provides a review of corporate and market developments and the results of operations and financial position of Andrés Wines Ltd. ('Andrés') for the year ended March 31, 2001 ('2001') in comparison with those for the year ended March 31, 2000 ('2000'). This discussion should be read in conjunction with the consolidated financial statements and the accompanying notes.

## **Market review**

The Canadian market for wine, wine coolers and ciders, excluding Quebec, where the Company no longer operates, rose 3.3% for the 2001 fiscal year following a 5.6% increase in fiscal 2000. The market share for Canadian producers fell marginally to 44.1% of total consumption from 44.6% in fiscal 2000, due primarily to the increase in low-priced imported products, particularly in the key Ontario, Alberta and British Columbia regions. Within the Canadian wine category, sales of VQA wines grew at an annual rate of 11.7% and now account for 14.2% of domestic wine sales in the markets in which the Company operates.

Growth in the Canadian market, excluding Quebec, came primarily in the red table wine category, which rose by 11.6% and increased its share of total table wine volume to 47.2% from 45.0% last year. Most of this increase came at the expense of white table wines, where volume increased by 2.6% over last year, resulting in a decline to 48.4% of total market volume from 50.2% last year. Imports accounted for almost 75% of the growth in red table wine sales while domestic production accounted for 78% of the increase in white wine sales. Sales of refreshment products decreased marginally over last year, with domestic producers also losing market share to imported products. Sparkling wine volumes fell by 20.2%, due primarily to the significant increase in sales in fiscal 2000 resulting from the Millennium celebration.

Excluding Quebec, Andrés volume sales through provincial liquor boards increased by 0.6% in 2001 resulting in a market share of 10.2%, down marginally from 10.5% in fiscal 2000. The decrease in the Company's market share was due to the increase in low-priced imported products. Andrés' red wine sales grew by 6.4% compared to last year, while volumes of white wine sales rose by 0.9% over fiscal 2000. Sales of the Company's premium and ultra-premium products demonstrated strong growth, rising 41.7% during the year due, in part, to legislative changes in Ontario allowing for the direct sale of VQA wines to licensees.

Sales through the Company's Ontario retail network, The Wine Shoppe, increased by 2.4% in fiscal 2001 and 2.6% in fiscal 2000 despite being negatively impacted by the continuing Sunday openings and store relocations of the Liquor Control Board of Ontario.

Brew King and Vineco International Products increased sales by 4.4%, outperforming the total market, which was estimated to have grown by approximately 3% in 2001.

## **Results of operations**

Andrés' sales for the year ended March 31, 2001 rose 0.5% or \$0.8 million to \$134.4 million from \$133.6 million the preceding year. Sales in the prior year included two months' contribution or approximately \$1.5 million from the Company's Quebec operations, which were sold on May 31, 1999. Excluding these Quebec sales in the prior year, the Company's sales increased by \$2.3 million or 1.7% during the year. This growth was derived from increased sales of the Company's premium and ultra-premium Peller Estates and Hillebrand Estates wines, improved performance in its home winemaking business and increased sales through The Wine Shoppe.



The Company's emphasis on cost controls and production efficiencies resulted in a steady increase in gross margins throughout fiscal 2001. For the year ended March 31, 2001, gross margin as a percentage of sales was 36.5% compared to 36.8% last year. Improved profitability also resulted from increased sales of the Company's higher-margin premium and ultra-premium Peller Estates and Hillebrand Estates brands, which increased 11.3% and 6.3%, respectively, compared to the prior year.

Selling and administrative expenses increased to 25.8% of sales from 24.5% in fiscal 2000 as the Company increased marketing and selling expenditures to capitalize on increased demand for Canadian-made premium wines.

EBITA, excluding unusual items, decreased to \$14.3 million in fiscal 2001 from \$16.5 million in 2000 due to the slight decrease in gross margin and higher marketing and selling expenses.

The increase in amortization expenses reflects increased capital expenditures during the year, primarily in the development of vineyard properties and investments in The Wine Shoppe.

Interest expense decreased to \$2.2 million from \$2.4 million in fiscal 2000 due to lower working capital levels throughout the year. Interest of \$0.6 million relating to the construction of the Peller Estates Winery was capitalized during the year.

Net earnings for the year were \$4.1 million or \$0.86 per common share compared to \$11.3 million or \$2.39 per common share in fiscal 2000. Net earnings for fiscal 2001 included a one-time pre-tax charge to earnings of approximately \$1.0 million taken in the third quarter to settle a lawsuit related to the co-packing of flavoured water in 1993. Fiscal 2000 included a pre-tax gain of \$7.3 million realized on the sale of its Quebec operations.

## **Liquidity and capital resources**

During the year, the Company generated \$9.7 million in cash flow from operating activities, after changes in non-cash working capital items, compared to \$12.7 million in fiscal 2000. Significant inventory reductions in fiscal 2000 accounted for the higher amount of cash generated.

The Company significantly increased its investing activities in fiscal 2001 as the new Peller Estates Winery was being constructed during the year. Opened during the summer of 2001, the new winery, located in Niagara-on-the-Lake, will increase the Company's capacity to produce its award-winning Peller Estates wines while offering tours, fine dining and special events to cater to the increasing number of wine connoisseurs visiting the Niagara region. Approximately \$6.2 million of the total \$11.9 million invested in capital assets during fiscal 2001 was spent on the new winery. Capital expenditures were also made in wine production equipment, in development of vineyard properties and in technology investments to enhance productivity within the Company.

Dividends paid during the year remained at \$0.644 per Class A share and \$0.560 per Class B share.

The Company ended fiscal 2001 with working capital of \$14.8 million, long-term debt of \$17.5 million, and shareholders' equity of \$66.1 million or \$13.96 per common share. The ratio of long-term debt to equity was reduced to 26% as at March 31, 2001 from 29% at the end of fiscal 2000. Working capital was reduced due to the financing of the Peller Estates Winery through short-term bank indebtedness. The Company will convert the financing to long-term debt upon completion of the winery.

Subsequent to the year end, the Company sold its remaining 15% minority interest in a Quebec winery it acquired in fiscal 1999. Cash proceeds from the sale amounted to approximately \$7.0 million, which will generate an after-tax gain of approximately \$1.0 million or \$0.21 per common share in the first quarter of fiscal 2002.



### **Strategic outlook and direction**

The Canadian wine market is projected to continue its strong growth in fiscal 2002. The Company is well positioned to increase sales in the popular, premium and ultra-premium wine segments as market demand increases. Andrés continues to focus on the marketing and sale of VQA wines, and anticipates solid growth within this segment of the domestic industry.

Andrés' investment in the premium and ultra-premium wine market will continue through the introduction of the Peller Estates Signature and Private Reserve wines launched with the opening of the Peller Estates Winery. Marketing and sales support will be focused on key brands sold across the country and by increased capital expenditures to continue the Company's ongoing commitment to producing the highest-quality wines. The Company believes that the investments made over the past few years will result in improved earnings.

The Company will continue to evaluate investment opportunities that support its strategic direction.

### **Risks and uncertainties**

The sale of wine is affected by current economic conditions, and accordingly any changes in the economy could affect sales of the Company.

The Company purchases glass and other components used in the bottling and packaging of wine. There is currently only one commercial supplier of glass in Canada and any interruption in supply could have an impact on the Company's ability to supply the market. The glass supplier has filed for protection under the Companies' Creditor Arrangement Act and is currently seeking refinancing. Andrés has taken steps to reduce its dependence on this supplier through developing relationships with international producers of glass and through carrying increased inventories of selected bottles.

Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The government has stated that, should it further consider privatization, it would engage in a consultation process and acknowledge the special role of Ontario's wine industry.

The Company relies on both the domestic production of grapes and importation of wine from countries around the world to produce and market its wines. Although the cost and supply of grapes and wine may be affected by weather conditions, the value of the Canadian dollar and general economic conditions, the Company has developed plans to ensure that an adequate supply of wine is available to meet demand. The Company's investment in vineyards is part of its plan to balance its risk associated with ensuring a consistent supply of domestically grown grapes.

Certain statements in this discussion could be considered forward-looking information. This information is subject to risks and uncertainties, some of which are outlined above, which could cause actual results to differ materially from comments made in this management discussion and analysis.



## *Management's Responsibility for Financial Reporting*

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors. Management is responsible for the integrity of the information contained in the financial statements and other sections of this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles.

To assist management in discharging its responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate and timely financial information is prepared.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board exercises these responsibilities primarily through the Audit, Finance and Risk Committee (the "Committee"). The Committee meets periodically with management and the Company's auditors to ensure that its responsibilities are properly discharged. The Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to shareholders.

PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders as the Company's auditors, have audited and expressed their opinion on the accompanying consolidated financial statements of the Company.



**John E. Peller**  
PRESIDENT AND CEO



**Peter B. Patchet**  
EXECUTIVE VICE-PRESIDENT  
FINANCE AND ADMINISTRATION

## *Auditors' Report to Shareholders*

We have audited the consolidated balance sheets of Andrés Wines Ltd. as at March 31, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS  
HAMILTON, ONTARIO  
MAY 30, 2001

## *Consolidated Statements of Earnings and Retained Earnings*

For the years ended March 31 <i>(in thousands of dollars except per share amounts)</i>	2001	2000
<b>Sales</b>	\$ 134,358	\$ 133,638
Cost of goods sold	85,328	84,332
<b>Gross profit</b>	49,030	49,306
Selling and administration	34,709	32,760
<b>Earnings before interest and amortization</b>	14,321	16,546
Interest	2,208	2,405
Amortization	4,153	3,817
<b>Earnings before unusual items</b>	7,960	10,324
<b>Unusual items</b> <i>(note 8)</i>	(1,025)	7,290
<b>Earnings before income taxes</b>	6,935	17,614
<b>Provision for (recovery of) income taxes</b> <i>(note 5)</i>		
Current	3,336	5,591
Future	(454)	712
	2,882	6,303
<b>Net earnings for the year</b>	4,053	11,311
<b>Retained earnings – beginning of year</b>	60,607	52,262
<b>Dividends</b>		
Class A and Class B shares	2,966	2,966
<b>Retained earnings – end of year</b>	\$ 61,694	\$ 60,607
<b>Earnings per share</b>		
Basic	\$ 0.86	\$ 2.39
Fully diluted	\$ 0.84	\$ 2.29



## Consolidated Balance Sheets

As at March 31 (in thousands of dollars)	2001	2000
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable (note 4)	\$ 11,603	\$ 12,068
Inventories (notes 2 and 4)	47,286	48,062
Prepaid expenses	1,080	857
	59,969	60,987
<b>Capital assets and goodwill (notes 3 and 4)</b>	67,513	59,760
<b>Investment (notes 8 and 10)</b>	5,485	5,485
	\$ 132,967	\$ 126,232
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 4)	\$ 27,511	\$ 21,024
Accounts payable and accrued liabilities	13,151	10,557
Dividends payable	742	741
Income and other taxes payable	1,427	3,091
Current portion of long-term debt (note 4)	2,388	2,107
	45,219	37,520
<b>Long-term debt (note 4)</b>	17,456	19,053
<b>Future income taxes (note 5)</b>	4,178	4,632
	66,853	61,205
<b>Shareholders' equity</b>		
<b>Capital stock (note 6)</b>	4,420	4,420
<b>Retained earnings</b>	61,694	60,607
	66,114	65,027
	\$ 132,967	\$ 126,232

Approved by the Board



**John E. Peller**  
DIRECTOR



**Graham R. Dawson**  
DIRECTOR

## Consolidated Statements of Cash Flows

For the years ended March 31 (in thousands of dollars)	2001	2000
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the year	\$ 4,053	\$ 11,311
Items not affecting cash		
Gain on sale of Quebec Winery (note 8)	—	(7,290)
Loss (gain) on disposal of capital assets	(2)	69
Amortization	4,153	3,871
Future income taxes	(454)	712
	7,750	8,619
Changes in non-cash working capital items related to operations (net of effects on disposal of Quebec Winery) (notes 8 and 9)	1,948	4,090
	9,698	12,709
<b>Investing activities</b>		
Cash proceeds from sale of Quebec Winery (note 8)	—	9,032
Proceeds from disposal of capital assets	8	4
Purchase of capital assets	(11,912)	(6,514)
	(11,904)	2,522
<b>Financing activities</b>		
Issue of Class A shares	—	417
Increase (repayment) of bank indebtedness	6,487	(10,709)
Repayment of long-term debt	(1,316)	(1,979)
Dividends paid	(2,965)	(2,960)
	2,206	(15,231)
<b>Increase in cash during the year</b>	—	—
<b>Cash – beginning of year</b>	—	—
<b>Cash – end of year</b>	\$ —	\$ —
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for		
Interest	\$ 2,931	\$ 3,306
Income taxes	4,831	3,825



# Notes to Consolidated Financial Statements

For the years ended March 31, 2001 and 2000

(in thousands of dollars)

## 1. Accounting policies

**(a) Basis of consolidation** These financial statements include the accounts of the Company and all subsidiary companies. The purchase method has been used to account for all acquisitions. The assets and liabilities of subsidiary companies acquired are included at their fair value on acquisition.

**(b) Inventories** Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

**(c) Capital assets and goodwill** Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated on the straight-line basis in amounts sufficient to amortize the cost of capital assets over their estimated useful lives as follows:

Buildings	2.5% per year
Vineyards	5% per year
Machinery and equipment	7.5% to 20% per year

Goodwill, representing the excess cost over the fair value of net assets acquired, is amortized on a straight-line basis over a period of up to forty years. The Company reviews the value of goodwill annually. The measurement of possible impairment is based primarily on the ability to recover the balance of goodwill from expected future operating cash flows on an undiscounted basis.

Costs of planting new vines and ongoing cultivation costs for vines not yet bearing, including interest, are capitalized. Amortization commences in the initial year the vineyard yields a commercial crop.

**(d) Earnings per share** Basic earnings per share has been calculated using the weighted average number of Class A and Class B shares outstanding during the year.

Net earnings for the calculation of fully diluted earnings per share has been increased by \$136 (2000 – \$135), being the after-tax effect of the investment at 7.0% (2000 – 7.0%) of the proceeds of the exercise of the stock options mentioned in Note 6, assuming they had been exercised at the beginning of the fiscal period.

**(e) Segmented information** The Company and its subsidiary companies operate in a single segment, that being the production and marketing of wine products, and service one geographic segment, that being Canada. A significant portion of the Company's sales are made through the liquor control boards in each province in which the Company transacts business.

**(f) Measurement uncertainty** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

**(g) Fair value of financial instruments** Accounts receivable, accounts payable and accrued liabilities and short-term bank indebtedness are reflected in these consolidated financial statements at carrying values which approximate fair values because of the short-term maturities of these instruments.

Long-term debt bears interest at current rates of interest, and as a result its carrying value approximates its fair value.

**(h) Income taxes** The Company follows the liability method of accounting for income taxes based on temporary differences. Future income taxes are provided for all temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax expense represents the change during the period in future income tax assets and future income tax liabilities.

**(i) Investment** The investment in Maison des Futailles, LP is accounted for by the cost method, whereby income is recognized only to the extent received.

**(j) Stock-based compensation plans** The Company has a stock-based compensation plan for executives and directors, which became effective on February 11, 1987 and was amended effective June 5, 1996. This plan is described in Note 6. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

## 2. Inventories

	2001	2000
Packaging materials and supplies	\$ 5,458	\$ 5,800
Bulk wine	26,820	27,847
Finished goods	15,008	14,415
	\$ 47,286	\$ 48,062



### 3. Capital assets and goodwill

	2001			2000		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Land	\$ 2,238	\$ —	\$ 2,238	\$ 2,238	\$ —	\$ 2,238
Vineyards	8,114	145	7,969	5,863	—	5,863
Buildings	15,867	5,413	10,454	15,540	4,971	10,569
Machinery and equipment	41,729	24,278	17,451	38,969	21,744	17,225
Construction in progress	8,077	—	8,077	1,771	—	1,771
Goodwill	25,000	3,676	21,324	25,000	2,906	22,094
	\$ 101,025	\$ 33,512	\$ 67,513	\$ 89,381	\$ 29,621	\$ 59,760

During 2001, interest capitalized associated with vineyards and the new Peller Estates Winery under construction amounted to \$638 (2000 — \$248).

### 4. Bank indebtedness and long-term debt

	2001	2000
Term bank loan	\$ 19,053	\$ 21,160
Other debt	791	—
	19,844	21,160
Less: current portion	2,388	2,107
	\$ 17,456	\$ 19,053

The Company has established three separate credit facilities with the Royal Bank of Canada as follows:

A demand loan facility with a borrowing limit of \$38,000 (2000 — \$38,000), which incurs interest at the Royal Bank of Canada prime rate. As at March 31, 2001, the unused portion of this facility was \$10,489 (2000 — \$16,976).

A term facility, which incurs interest at 6.235%, requires blended monthly payments of principal and interest in the amount of \$281 and is due March 9, 2003. Interest on long-term debt amounted to \$1,260 (2000 — \$1,387).

A term facility, with a borrowing limit of \$8,000, to be used to finance specific capital projects, which incurs interest at the Royal Bank of Canada prime rate plus one quarter percent. As at March 31, 2001, this facility was not being utilized.

The Company and its subsidiary companies have provided a first charge on accounts receivable and inventories and a fixed and floating charge on capital assets as security for its loan facilities.

Annual principal repayments for the years ending March 31 are as follows:

2002	\$ 2,388
2003	16,968
2004	170
2005	318
	\$ 19,844

## 5. Income taxes

The significant temporary differences giving rise to the future income tax liability are comprised of the following:

	2001	2000
Capital assets	\$ 3,969	\$ 4,549
Goodwill	781	872
Investment	(482)	(677)
Other	(90)	(112)
	\$ 4,178	\$ 4,632

The Company's income tax expense consists of the following:

	2001	2000
Provision for income taxes at blended statutory rate of 40.75% (2000 – 37.4%)	\$ 2,826	\$ 6,588
Permanent differences and non-deductible items	364	(556)
Large corporations tax	102	90
Other	(410)	181
	\$ 2,882	\$ 6,303

## 6. Capital stock

	Authorized	2001 issued		2000 issued	
		Shares	Amounts	Shares	Amounts
Class A shares, non-voting	Unlimited	3,732,082	\$ 4,018	3,726,610	\$ 4,016
Class B shares, voting	Unlimited	1,004,972	402	1,010,444	404
		4,737,054	\$ 4,420	4,737,054	\$ 4,420

Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis. During 2001, 5,472 Class B shares were converted into Class A shares (2000 – 2,000).



## Stock option plan

The Company has a stock option plan for executives and directors. All options under this plan are for a term of five years from the date of the grant. They become exercisable with respect to 25% of the total number of shares subject to the option immediately, and 25% on each of the three successive anniversaries of the date of the grant. Options are subject to certain conditions of service. The following options are outstanding as at March 31:

Number of shares subject to option		Exercise price per share	Option expiry date
2001	2000		
24,350	24,350	\$ 11.25	June 5, 2001
11,550	11,550	\$ 13.50	October 30, 2001
12,000	12,000	\$ 16.00	February 5, 2002
77,100	77,100	\$ 13.00	February 5, 2002
128,000	128,000	\$ 13.00	June 11, 2005
253,000	253,000		

During 2001, the Company did not issue any options to purchase Class A shares (2000 – 128,000), did not reprice any options (2000 – 77,100) and no shares were exercised (2000 – 37,000). During 2001, there were no stock appreciation rights exercised (2000 – 4,150). With no options exercised in 2001, the Company did not incur any costs associated with the exercise rights (2000 – \$47). As at March 31, 2001, 189,000 (2000 – 157,000) options are currently exercisable under the terms of the stock option plan.

## 7. Commitments and contingencies

Future minimum lease payments as at March 31, 2001 under long-term non-cancellable lease agreements are as follows:

2002	\$ 1,434
2003	815
2004	524
2005	231
2006	143
Thereafter	—
	\$ 3,147

The Company has guaranteed debt of \$750 for an associated company.

## 8. Unusual items

**(a) Settlement of lawsuit** During fiscal 2001, the Company reached a settlement on a lawsuit launched by Canadian Pure Beverage Distributing Inc. related to the co-packing of flavoured water by the Company. The settlement, including legal costs, amounted to \$1,025 before tax (after-tax – \$574).

**(b) Gain on sale of winery** During fiscal 2000, the Company completed the sale of the net operating assets of its wholly-owned subsidiary, Les Vins André du Québec Ltée. Consideration received amounted to \$14,517, including cash of \$9,032 and a 15% interest in a continuing winery operation, Maison des Futailles, LP. The sale resulted in a gain of \$7290 (after-tax – \$5,200), net of related transaction costs amounting to \$1,295. During 2001, the Company received nil income (2000 – nil).

The Quebec winery net assets disposed of included net working capital items of \$4,838 and net capital assets of \$1,094.

## 9. Non-cash working capital items

The change in non-cash working capital is comprised of the change in the following items:

	2001	2000
Accounts receivable	\$ 465	\$ 58
Inventories	776	3,909
Prepaid expenses	(223)	(208)
Accounts payable and accrued liabilities	2,594	(1,210)
Income and other taxes payable	(1,664)	1,541
	\$ 1,948	\$ 4,090

## 10. Subsequent event

On May 25, 2001, the Company completed the sale of its 15% interest in Maison des Futailles, LP. for cash proceeds of approximately \$7,000. The sale resulted in an after-tax gain of approximately \$1,000 which will be recognized in fiscal 2002.



## Ten-year Summary

<i>(thousands except per share amounts)</i>	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Sales and earnings</b>										
Net sales	\$ 134,358	\$ 133,638 <sup>(2)</sup>	\$ 135,446	\$ 118,668	\$ 98,139	\$ 79,486	\$ 70,601	\$ 55,835	\$ 56,360	\$ 55,803
Earnings before interest and income taxes	10,168	12,729	13,706	13,377	11,660	9,648	7,735	6,797	7,652	8,046
Net earnings	4,053 <sup>(4)</sup>	11,311 <sup>(3)</sup>	5,653	6,732	6,507	5,420	4,166	4,048	4,426	4,616
<b>Financial position</b>										
Working capital	\$ 14,750	\$ 23,467	\$ 23,115	\$ 24,512	\$ 19,245	\$ 24,638	\$ 21,676	\$ 31,863	\$ 41,148	\$ 39,278
Total assets	132,967	126,232	128,063	126,085	74,770	57,056	54,486	49,950	57,208	55,501
Shareholders' equity	66,114	65,027 <sup>(3)</sup>	56,265	53,504	49,204	45,404	42,415	40,990	48,981	46,911
<b>Per share</b>										
Earnings										
- Basic	\$ 0.86 <sup>(4)</sup>	\$ 2.39 <sup>(3)</sup>	\$ 1.20	\$ 1.44	\$ 1.40	\$ 1.17	\$ 0.90	\$ 0.88	\$ 0.99	\$ 1.03
- Fully diluted	0.84 <sup>(4)</sup>	2.29	1.18	1.40	1.38	1.17	0.89	0.87	0.96	1.00
Dividends <sup>(1)</sup>										
- Class A shares, non-voting	\$ 0.644	\$ 0.644	\$ 0.644	\$ 0.644	\$ 0.598	\$ 0.598	\$ 0.598	\$ 2.898	\$ 0.598	\$ 0.598
- Class B shares, voting	0.560	0.560	0.560	0.560	0.520	0.520	0.520	2.520	0.520	0.520
<b>Number of shares outstanding</b>										
Class A shares, non-voting	3,732,082	3,726,610	3,687,510	3,683,210	3,646,060	3,645,060	3,602,160	3,564,960	3,461,960	3,431,560
Class B shares, voting	1,004,972	1,010,444	1,012,444	1,012,444	1,013,344	1,041,344	1,027,244	1,028,444	1,029,944	1,030,344
	4,737,054	4,737,054	4,699,954	4,695,654	4,659,404	4,686,404	4,629,404	4,593,404	4,491,904	4,461,904
<b>Other information</b>										
Return on average shareholders' equity	7.0%	10.5%	10.3%	13.1%	13.8%	12.3%	10.0%	9.0%	9.3%	10.1%
Return on average capital employed	9.2%	11.8%	12.5%	16.0%	22.3%	20.7%	17.4%	14.7%	15.5%	16.9%

(1) Dividends for the year ended March 31, 1994 reflect a special dividend of \$2.30 per Class A share and \$2.00 per Class B share.

(2) Includes two months' net sales of Quebec operations, sold May 31, 1999.

(3) Includes the after-tax gain of \$5.2 million from sale of the Quebec winery.

(4) Includes the pre-tax loss of \$1.025 million on the settlement of a lawsuit for the co-packing of flavoured water in 1993.

## Shareholder Information

### Head office

*Andrés Wines Ltd.*  
697 South Service Road  
Grimsby, Ontario L3M 4E8  
Tel: (905) 643-4131  
Fax: (905) 643-4944

### Directors

*William A. Cochrane, O.C., M.D.*  
Calgary, Alberta  
President  
W.A. Cochrane & Associates

*Lori C. Covert*  
Halifax, Nova Scotia  
Chief Executive Officer  
Vantage Communications Inc.

*C. William Daniel, O.C.*  
Toronto, Ontario  
Corporate Director

*Graham R. Dawson*  
Vancouver, British Columbia  
President  
G.R. Dawson Holdings Limited

*John F. Petch, Q.C.*  
Toronto, Ontario  
Vice Chairman and Senior Partner  
Osler, Hoskin & Harcourt LLP

*A. Angus Peller, M.D.*  
Canandaigua, New York  
Family Physician

*Joseph A. Peller, M.D.*  
Rockwood, Ontario  
Chairman  
Andrés Wines Ltd.

*John E. Peller*  
Burlington, Ontario  
President and  
Chief Executive Officer  
Andrés Wines Ltd.

*William J. Walsh, M.D.*  
Hamilton, Ontario  
Emeritus Professor of Medicine  
McMaster University

### Honorary directors

*Carlisle Norwood*  
Mahone Bay, Nova Scotia

*Ralph M. Logan*  
Halifax, Nova Scotia

### Stock exchange

Toronto  
Symbols: ADW.A, ADW.B

### Registrar and transfer agent

Computershare Trust  
Company of Canada  
100 University Avenue, 11th Floor  
Toronto, Ontario M5J 2Y1

### Auditors

PricewaterhouseCoopers LLP

### Banker

Royal Bank of Canada

### Shareholder inquiries

Computershare Trust Company of Canada operates a telephone information line for inquiries regarding change of address, stock transfer, registered shareholdings, dividends and lost certificates, which can be reached by dialing 1-416-981-9633; toll free at 1-800-663-9097 or by e-mail at [caregistryinfo@computershare.com](mailto:caregistryinfo@computershare.com)

### Investor relations

For additional information regarding the Company's activities, please contact:  
*Peter B. Patchet*  
Executive Vice-President  
Finance and Administration  
at the address above  
or by e-mail at [info@andreswines.com](mailto:info@andreswines.com)

### Officers

*John E. Peller*  
President and  
Chief Executive Officer

*Anthony M. Bristow*  
Executive Vice-President  
Sales

*M. Chrystine Cappadocia*  
Executive Vice-President  
Marketing

*Robert W. Davis*  
Executive Vice-President  
Retail and Estate Wines

*Larry G. Gibson*  
Vice-President  
Viticulture

*Peter B. Patchet*  
Executive Vice-President  
Finance and Administration

*David E. Ringler*  
Executive Vice-President  
Operations

*Mario A. Rodi*  
Vice-President and General Manager  
Brew King Limited

*John K. Simmonds*  
Vice-President Retail Operations  
and Executive Director  
The Wine Shoppe

*Robert P. Van Wely*  
President, Brew King Limited and  
Vineco International Products Ltd.

### 2001 Annual Shareholders Meeting

The 2001 Annual Meeting of Shareholders will be held at the Peller Estates Winery, 290 John Street East, Niagara-on-the-Lake, Ontario on Thursday, September 13, 2001 at 3:00 p.m.

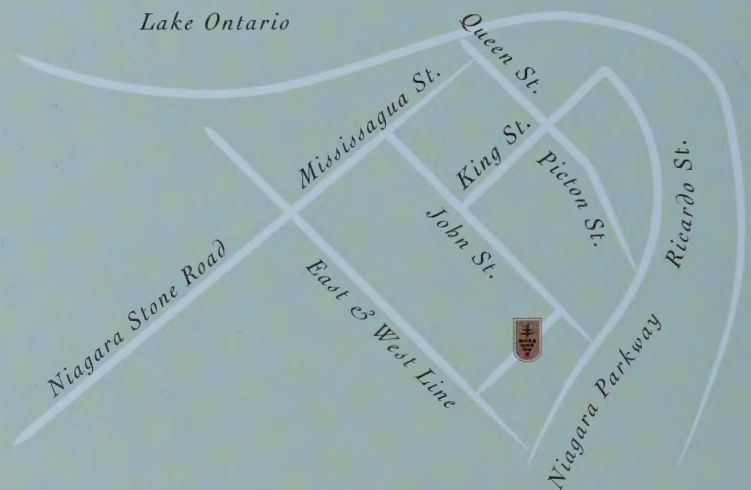




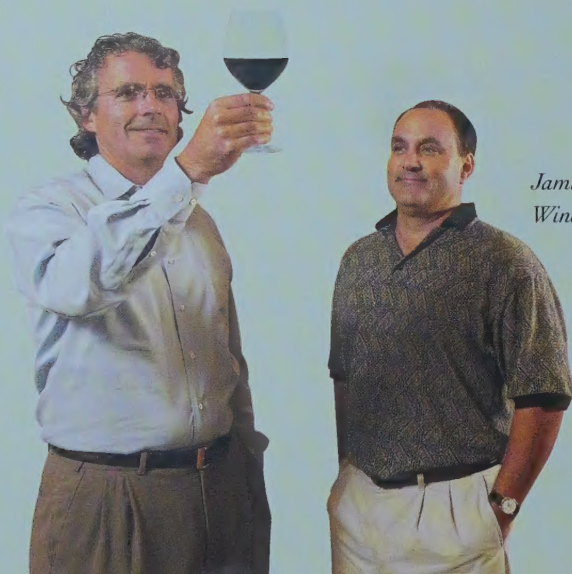
*Offering tours, tastings, fine dining and numerous special events, Peller Estates continues the heritage of excellence developed at our Hillebrand Estates Winery over the past twenty years, and our commitment to producing the highest-quality wines.*



*Visit the legacy of three generations of winemaking excellence. From our underground barrel-aging cellar to our lush, sprawling vineyard, you'll find that no detail at our new Peller Estates Winery is overlooked.*



*Jamie Macfarlane and Robert Summers  
Winemakers, Peller Estates*



**ANDRÉS**

